

In the Matter of)	No. G 02-44
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
PEMCO INSURANCE)	AND ORDER ADOPTING REPORT
COMPANY)	OF
)	FINANCIAL EXAMINATION

A Domestic Insurer. _____

BACKGROUND

An examination of the financial condition of **PEMCO INSURANCE COMPANY** (the Company) as of December 31, 1997 and 1998, was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on September 24, 2002. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 19 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **PEMCO INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented the Instructions prior to the date of this order. The Instructions in the report are an appropriate response to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, this being the Instructions contained in the examination report on page 2.

1. The Company is ordered to comply with WAC 284-02-080 and file all amendments to its bylaws with the insurance commissioner. Instruction 1, Examination Report, page 2.
2. The Company is ordered to comply with WAC 284-07-050(2) which requires adherence to the appropriate Annual Statement Instructions and the Accounting Practices and Procedures Manuals promulgated by the NAIC for the completion of the annual statement. The Company is further ordered to comply with RCW 48.05.250 which requires the Company to file with the insurance commissioner a true annual statement of its financial condition, transactions, and affairs. Instruction 2, Examination Report, page 2.
3. The Company is ordered to follow its bylaws and elect officers in the board of directors' meeting immediately following the annual stockholders meeting in compliance with RCW 48.07.040. Instruction 3, Examination Report, page 2.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Tumwater, Washington, this _____ day of _____, 2002.

MIKE KREIDLER
Insurance Commissioner